

Message Text

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PAGE 01 STATE 198751
ORIGIN L-03

INFO OCT-01 ARA-10 ISO-00 DODE-00 SAB-02 PM-05 SS-15
SP-02 INR-07 SSO-00 INRE-00 /045 R

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APPROVED BY L: H.J.HANSELL
ARA/PAN - R. CAMAUR
DESIRED DISTRIBUTION
SECDEF DOD

-----112968 200335Z /73

O 200242Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY PANAMA IMMEDIATE
INFO USSOUTHCOM IMMEDIATE
GOVPANCANAL IMMEDIATE

C O N F I D E N T I A L STATE 198751

E.O. 11652: GDS

TAGS: PBOR, PN

SUBJECT: TREATY NEGOTIATIONS: TREATY DRAFTS

REF: PANAMA 5821

1. FOLLOWING IS PROPOSED DRAFT ON PAYMENTS QUESTION REQUESTED PARAGRAPH 3 REFTEL. THIS DRAFT IS STILL UNDERGOING STUDY AND IS NOT A FINAL, CLEARED TEXT. CONSEQUENTLY, IT IS FYI ONLY, FOR YOUR COMMENT. WE WILL ADVISE YOU OF CHANGES, AND WHEN IT MAY BE PRESENTED TO THE PANAMANIAN, SATURDAY MORNING. THIS CABLE HAS NOT BEEN CLEARED BY THE DEPARTMENT OF DEFENSE. THIS TEXT WOULD BECOME PARAGRAPHS 4 AND 5 IN SUBSTITUTION FOR PARAGRAPH 4 OF ARTICLE 8-- ECONOMIC ARRANGEMENTS--IN ORIGINAL U.S. TEXT:

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4. THE REPUBLIC OF PANAMA SHALL RECEIVE FROM THE PANAMA CANAL COMMISSION:

(A) AN ANNUAL AMOUNT TO BE PAID OUT OF CANAL OPERATING REVENUES COMPUTED AT THE RATE OF THIRTY HUNDREDTHS OF A UNITED STATES DOLLAR (DOLLARS 0.30) PER PANAMA CANAL NET TON, OR ITS EQUIVALENCY, FOR EACH VESSEL TRANSITING THE CANAL AFTER

THE ENTRY INTO FORCE OF THIS TREATY FOR WHICH TOLLS ARE CHARGED. THE RATE OF THIRTY HUNDREDTHS OF A UNITED STATES DOLLAR PER NET PANAMA CANAL TON, OR ITS EQUIVALENCY, WILL BE ADJUSTED IN PROPORTION TO CHANGES IN THE WHOLESALE PRICE INDEX OF TOTAL MANUFACTURES OF THE UNITED STATES. SUCH ADJUSTMENT WILL TAKE PLACE FROM TIME TO TIME AS MUTUALLY AGREED. IN THE EVENT THE UNITED STATES SHALL DETERMINE THAT ANOTHER METHOD OF ADJUSTMENT SHOULD BE APPLIED, THE UNITED STATES WILL PRESENT THE SAME TO THE REPUBLIC OF PANAMA FOR ITS ACCEPTANCE.

(B) A FIXED ANNUITY OF TEN MILLION UNITED STATES DOLLARS (DOLLARS 10,000,000) TO BE PAID OUT OF CANAL OPERATING REVENUES.

(C) AN ANNUAL AMOUNT OF UP TO TEN MILLION DOLLARS PER YEAR, TO BE PAID OUT OF CANAL OPERATING REVENUES TO THE EXTENT THAT SUCH REVENUES EXCEED EXPENDITURES OF THE PANAMA CANAL COMMISSION INCLUDING AMOUNTS PAID PURSUANT TO THIS TREATY FOR THE PREVIOUS CANAL OPERATING YEAR. IN THE EVENT CANAL OPERATING REVENUES IN ANY YEAR DO NOT PRODUCE A SURPLUS SUFFICIENT TO COVER THIS PAYMENT, THE UNPAID BALANCE SHALL BE PAID FROM OPERATING SURPLUSES, IF ANY, IN FUTURE YEARS, BY A MEANS TO BE AGREED UPON BY THE TWO PARTIES.

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5. THE PAYMENTS PROVIDED FOR IN PARAGRAPH 4 OF THIS ARTICLE SHALL BE MADE FOR EACH YEAR BY

2. FOLLOWING IS PROPOSED DRAFT ON QUESTION OF PAYMENTS FOR PUBLIC SERVICES AS REQUESTED PARAGRAPH 3 REFTEL. WE DO NOT BELIEVE IT APPROPRIATE FOR THIS TEXT TO BE INCLUDED IN ARTICLE ON ECONOMIC PAYMENTS SINCE THIS RELATES TO OPERATING COSTS OF THE CANAL. OUR INITIAL THINKING, THEREFORE, IS THAT IT BE ADDED TO NEW ARTICLE IV--CANAL OPERATION AND MANAGEMENT. SUGGEST YOU MAKE THE FOLLOWING TWO PARAGRAPHS NEW PARAGRAPHS 5 AND 6 TO ARTICLE IV, AND RENUMBER PRESENT PARAGRAPHS 5-8 AS 7-10. TEXT AS FOLLOWS:

5. THE PANAMA CANAL COMMISSION WILL REIMBURSE THE GOVERNMENT OF THE REPUBLIC OF PANAMA FOR COSTS INCURRED IN PROVIDING THE CANAL OPERATING AREAS AND HOUSING AREAS FOR UNITED STATES CITIZEN EMPLOYEES THE FOLLOWING PUBLIC SERVICES: POLICE, FIRE PROTECTION, STREET AND SEWER MAINTENANCE, MAINTENANCE OF PUBLIC AREAS, STREET LIGHTING, STREET CLEANING, TRAFFIC MANAGEMENT AND GARBAGE COLLECTION. THE PANAMA CANAL COMMISSION SHALL PAY THE GOVERNMENT OF THE REPUBLIC OF PANAMA THE SUM OF TEN MILLION UNITED STATES

DOLLARS (DOLLARS 10,000,000) PER ANNUM FOR THE FOREGOING SERVICES.

IT IS AGREED THAT EVERY THREE (3) YEARS FROM THE DATE THAT THIS TREATY ENTERS INTO FORCE THE COSTS INVOLVED IN FURNISHING SAID SERVICES SHALL BE REEXAMINED TO DETERMINE WHETHER ADJUSTMENT OF THE ANNUAL PAYMENT SHOULD BE MADE IN ORDER TO OFFSET INFLATION AND OTHER RELEVANT FACTORS AFFECTING THE COST OF SUCH SERVICES.

6. THE REPUBLIC OF PANAMA SHALL BE RESPONSIBLE FOR PROVIDING TO ALL AREAS COMPRISING THE FORMER CANAL ZONE AREA SERVICES OF A GENERAL JURISDICTIONAL NATURE SUCH AS CUSTOMS AND IMMIGRATION, POSTAL SERVICES, COURTS, AND
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, NEGOTIATIONS, DEBT REPAYMENTS, CANALS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE198751
Document Source: CORE
Document Unique ID: 00
Drafter: F.K.WILLIS:JV
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770301-0199
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770840/aaaabhva.tel
Line Count: 137
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 44b78457-c288-dd11-92da-001cc4696bcc
Office: ORIGIN L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 PANAMA 5821
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1538981
Secure: OPEN
Status: NATIVE
Subject: TREATY NEGOTIATIONS: TREATY DRAFTS
TAGS: PBOR, EWWT, PN
To: PANAMA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/44b78457-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009